

Township of Salem
Allegan County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended June 30, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Salem Township	County Allegan
Audit Date 6/30/04	Opinion Date 12/8/04	Date Accountant Report Submitted to State: 12/29/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Siegfried Crandall PC			
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Accountant Signature <i>Siegfried Crandall P.C.</i>		ZIP 49002-5599	
		Date	

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INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Township of Salem, Michigan**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the Township of Salem, Michigan, as of June 30, 2004, and for the year then ended, which collectively comprise the Township of Salem, Michigan's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Salem, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of the Township of Salem, Michigan, as of June 30, 2004, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 10, the Township of Salem, Michigan has implemented a new financial reporting model, as required by the provisions of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of July 1, 2003.

The budgetary comparison information, on pages 17 through 21, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Township of Salem, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

INDEPENDENT AUDITORS' REPORT *(Continued)*

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Township of Salem, Michigan's basic financial statements. The supplementary information, as listed in the contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Township of Salem, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Siegfried Crandall P.C.

October 6, 2004

BASIC FINANCIAL STATEMENTS

Township of Salem
STATEMENT OF NET ASSETS
June 30, 2004

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 863,657
Receivables (net)	<u>115,053</u>
<i>Total current assets</i>	978,710
Noncurrent assets:	
Capital assets (net of accumulated depreciation)	<u>1,474,636</u>
<i>Total assets</i>	<u>2,453,346</u>
LIABILITIES	
Current liabilities:	
Accounts payable	10,426
Accrued liabilities	27,491
Due to other governmental units	112,576
Current maturities of long-term debt	<u>80,414</u>
<i>Total current liabilities</i>	<u>230,907</u>
Noncurrent liabilities:	
Long-term debt	<u>7,774</u>
<i>Total liabilities</i>	<u>238,681</u>
NET ASSETS	
Invented in capital assets, net of related debt	1,386,448
Restricted for:	
Public safety	128,918
Public works	335,862
Recreation and culture	37,288
Unrestricted, unallocated	<u>326,149</u>
<i>Total net assets</i>	<u>\$ 2,214,665</u>

See notes to financial statements

Township of Salem
STATEMENT OF ACTIVITIES
Year ended June 30, 2004

	<u>Program Revenues</u>			Net (expenses) revenues and changes in net assets
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Primary government Governmental activities</u>
Functions /Programs:				
<i>Governmental activities:</i>				
Legislative	\$ 5,267	\$ -	\$ -	\$ (5,267)
General government	201,337	44,747	-	(156,590)
Public safety	214,167	105,267	-	(108,900)
Public works	54,851	2,349	4,537	(47,965)
Health and welfare	6,000	-	-	(6,000)
Community and economic development	27,054	6,851	-	(20,203)
Recreation and culture	94,153	24,904	3,490	(65,759)
Interest on long-term debt	13,549	-	-	(13,549)
Total primary government	\$ 616,378	\$ 184,118	\$ 8,027	(424,233)
<i>General revenues:</i>				
Taxes				623,297
State grants				340,766
Investment income				10,197
Other				13,663
Special item - gain on disposal of fixed asset				18,902
Total general revenues				1,006,825
Change in net assets				582,592
Net assets - beginning of year				1,632,073
Net assets - end of year				\$ 2,214,665

See notes to financial statements

Township of Salem
BALANCE SHEET - governmental funds
June 30, 2004

	<u>General</u>	<u>Road</u>	<u>Fire</u>	<u>Other nonmajor fund</u>	<u>Total</u>
ASSETS					
Cash	\$ 261,026	\$ 453,438	\$ 113,918	\$ 35,275	\$ 863,657
Receivables	9,539	-	-	2,013	11,552
Due from other funds	-	10,000	15,000	-	25,000
Due from other governmental units	<u>103,501</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,501</u>
<i>Total assets</i>	<u>374,066</u>	<u>463,438</u>	<u>128,918</u>	<u>37,288</u>	<u>1,003,710</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	10,426	-	-	-	10,426
Accrued liabilities	27,491	-	-	-	27,491
Due to other funds	10,000	15,000	-	-	25,000
Due to other governmental units	<u>-</u>	<u>112,576</u>	<u>-</u>	<u>-</u>	<u>112,576</u>
<i>Total liabilities</i>	<u>47,917</u>	<u>127,576</u>	<u>-</u>	<u>-</u>	<u>175,493</u>
FUND BALANCES					
Unrestricted:					
Designated	-	-	128,918	-	128,918
Undesignated	<u>326,149</u>	<u>335,862</u>	<u>-</u>	<u>37,288</u>	<u>699,299</u>
<i>Total fund balances</i>	<u>326,149</u>	<u>335,862</u>	<u>128,918</u>	<u>37,288</u>	<u>828,217</u>
<i>Total liabilities and fund balances</i>	<u>\$ 374,066</u>	<u>\$ 463,438</u>	<u>\$ 128,918</u>	<u>\$ 37,288</u>	

*Amounts reported for governmental activities in the statement of net assets are
different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,474,636
Long-term liabilities, including bonds and contracts payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(88,188)</u>
Net assets of governmental funds	<u>\$ 2,214,665</u>

See notes to financial statements

Township of Salem

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - governmental funds

Year ended June 30, 2004

	<u>General</u>	<u>Road</u>	<u>Fire</u>	<u>Other nonmajor fund</u>	<u>Total</u>
REVENUES					
Taxes	\$ 87,383	\$ 439,690	\$ 62,787	\$ 33,437	\$ 623,297
Licenses and permits	104,003	-	-	-	104,003
State grants	345,303	-	-	3,490	348,793
Charges for services	22,586	-	-	399	22,985
Fines and forfeitures	-	-	-	24,505	24,505
Interest and rentals	15,698	3,893	579	2,557	22,727
Other	28,732	-	-	5,026	33,758
<i>Total revenues</i>	<u>603,705</u>	<u>443,583</u>	<u>63,366</u>	<u>69,414</u>	<u>1,180,068</u>
EXPENDITURES					
Legislative	5,267	-	-	-	5,267
General government	171,902	-	-	-	171,902
Public safety	183,604	-	1,258	-	184,862
Public works	44,358	414,204	-	-	458,562
Health and welfare	6,000	-	-	-	6,000
Community and economic development	27,054	-	-	-	27,054
Recreation and culture	159,245	-	-	37,572	196,817
Capital outlay	19,334	-	2,557	-	21,891
Debt service:					
Principal	26,809	64,834	58,115	41,815	191,573
Interest	1,294	8,627	1,421	2,207	13,549
<i>Total expenditures</i>	<u>644,867</u>	<u>487,665</u>	<u>63,351</u>	<u>81,594</u>	<u>1,277,477</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(41,162)	(44,082)	15	(12,180)	(97,409)
FUND BALANCES - BEGINNING OF YEAR	<u>367,311</u>	<u>379,944</u>	<u>128,903</u>	<u>49,468</u>	<u>925,626</u>
FUND BALANCES - END OF YEAR	<u>\$ 326,149</u>	<u>\$ 335,862</u>	<u>\$ 128,918</u>	<u>\$ 37,288</u>	<u>\$ 828,217</u>

Net change in fund balances - total governmental funds \$ (97,409)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

488,428

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

191,573

Change in net assets of governmental activities

\$ 582,592

See notes to financial statements

Township of Salem
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Salem, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles), as applicable to governments. The following is a summary of the more significant policies:

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Township has determined that no outside agency meets the above criteria and, therefore, no outside agency has been included as a blended or discretely-presented component unit in the Township's financial statements.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of all interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. The major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Township of Salem
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):
Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Road Fund accounts for the construction and maintenance of roads.

The Fire Fund accounts for the purchase and acquisition of equipment.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector standards.

Amounts reported as program revenue include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and interest income.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

ii) Receivables and payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All receivables are considered to be fully collectible.

Township of Salem
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

iii) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., major road improvements), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The Township has the option of accounting for infrastructure assets retroactively to June 30, 1980, or prospectively beginning July 1, 2003. The Township has elected to account for infrastructure assets on the prospective basis. The Township includes shared road costs in its infrastructure. These costs represent the Township's portion of public road improvements for roads within the Township, which are owned by the County of Allegan.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Land improvements	40 years
Equipment	5 - 10 years
Vehicles	5 - 20 years
Shared road costs	20 years

iv) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the functional level. Amounts encumbered for purchase orders, contracts, etc., are tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Township of Salem
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued):

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Public safety	\$175,000	\$183,604	\$ 8,604
	Capital outlay	-	19,334	19,334
	Debt service - principal	-	26,809	26,809
Road	Public works	320,167	414,204	94,037
Fire	Debt service - principal	54,961	58,115	3,154
	Debt service - interest	-	1,421	1,421

NOTE 3 - DEPOSITS:

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At June 30, 2004, the Township has deposits with a carrying amount of \$863,657 and a bank balance of \$864,094. Of the bank balance \$122,976 is covered by federal depository insurance, and \$741,118 is uninsured.

NOTE 4 - RECEIVABLES:

Receivables as of year end are as follows:

	<u>General</u>	<u>Library</u>	<u>Total</u>
Accounts	\$ 9,539	\$2,013	\$ 11,552
Intergovernmental	<u>103,501</u>	<u>-</u>	<u>103,501</u>
<i>Net receivables</i>	<u>\$113,040</u>	<u>\$2,013</u>	<u>\$115,053</u>
Non-current portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

All receivables are due within one year.

Township of Salem
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity of the Township for the current year was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets not being depreciated:				
Land	\$ <u>95,800</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>95,800</u>
Capital assets being depreciated:				
Land improvements	-	94,094	-	94,094
Buildings	918,300	23,901	-	942,201
Equipment	164,824	11,337	-	176,161
Vehicles	480,301	33,935	22,301	491,935
Infrastructure - shared road costs	<u>-</u>	<u>414,063</u>	<u>-</u>	<u>414,063</u>
<i>Subtotal</i>	<u>1,563,425</u>	<u>577,330</u>	<u>22,301</u>	<u>2,118,454</u>
Less accumulated depreciation for:				
Land improvements	-	(2,352)	-	(2,352)
Buildings	(323,113)	(23,124)	-	(346,237)
Equipment	(71,914)	(15,669)	-	(87,583)
Vehicles	(277,990)	(24,024)	(8,920)	(293,094)
Infrastructure	<u>-</u>	<u>(10,352)</u>	<u>-</u>	<u>(10,352)</u>
<i>Subtotal</i>	<u>(673,017)</u>	<u>75,521</u>	<u>(8,920)</u>	<u>(739,618)</u>
Net capital assets being depreciated	<u>890,408</u>	<u>501,809</u>	<u>13,381</u>	<u>1,378,836</u>
<i>Total capital assets net of depreciation</i>	<u>\$ 986,208</u>	<u>\$501,809</u>	<u>\$13,381</u>	<u>\$1,474,636</u>

Depreciation expense was charged to programs of the Township as follows:

General government	\$25,242
Public safety	24,024
Public works, which includes the depreciation of general infrastructure assets	10,352
Recreation and culture	<u>15,903</u>
<i>Total governmental activities</i>	<u>\$75,521</u>

Township of Salem
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - LONG-TERM DEBT:

Long-term debt at June 30, 2004, is comprised of the following individual issues:

Commercial loans:

\$36,324 2000 Commercial loan with Byron State Bank, secured by lawn tractor (P.A. 99), due in annual installments of \$8,445 through July 15, 2005; interest at 5.5% \$15,349

Bonds payable:

\$185,000 1998 Allegan Road Commission Bond, due in annual installments of \$20,000 to \$35,000 through August 1, 2004; plus interest due semi-annually at 4.423% 35,000

Assessment payable:

\$169,243 2000 Byron-Dorr Inter-County Drain Assessment, due in annual installments of \$41,104 through December 1, 2004; interest at 8.629% 37,839

Total \$88,188

a) Long-term liability activity for the year ended June 30, 2004, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Commercial loans - library	\$ 41,815	\$ -	\$(41,815)	\$ -	\$ -
Commercial loans - fire	58,115	-	(58,115)	-	-
Commercial loans - police	19,377	-	(19,377)	-	-
Commercial loans - tractor	22,781	-	(7,432)	15,349	7,575
Bonds payable - roads	65,000	-	(30,000)	35,000	35,000
Assessment payable - drains	<u>72,673</u>	<u>-</u>	<u>(34,834)</u>	<u>37,839</u>	<u>37,839</u>
<i>Total liabilities</i>	<u>\$279,761</u>	<u>\$ -</u>	<u>\$(191,573)</u>	<u>\$88,188</u>	<u>\$80,414</u>

b) Debt service requirements at June 30, 2004, were as follows:

	<u>Principal</u>	<u>Interest</u>
Year ended June 30:		
2005	\$80,414	\$4,949
2006	<u>7,774</u>	<u>432</u>
<i>Totals</i>	<u>\$88,188</u>	<u>\$5,381</u>

Township of Salem
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 8 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended June 30, 2004, is as follows:

Revenues	\$78,341
Expenses	<u>78,341</u>
Excess of revenues over expenses	<u>\$ -</u>

NOTE 9 - PRIOR PERIOD ADJUSTMENTS:

Prior period adjustments have been recorded in 2003 that resulted in fund balance restatements. Fund equity as of July 1, 2003, included in the financial statements, represents restated balances as presented below. The following schedule identifies the nature and amount of the adjustments recorded.

	<u>Fund balance</u>
General Fund:	
Beginning of year, as previously reported	\$310,415
Prior period adjustment - understatement of amounts due from state	<u>56,896</u>
Beginning of year, as restated	<u>\$367,311</u>

Township of Salem
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - CHANGE IN ACCOUNTING PRINCIPLES:

Effective July 1, 2003, the Township implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, along with all related statements and interpretations. In connection with the implementation of this statement, the following adjustments to beginning net assets has been made to reflect the cumulative effect of this accounting change in the governmental funds:

Net assets, as restated	\$ 925,626
Capitalization of capital assets, net of accumulated depreciation, not previously reported	986,208
Long-term liabilities, including commercial loans, bonds and assessments payable, that were previously reported in the general long-term debt account group	<u>(279,761)</u>
Net assets, as restated	<u>\$1,632,073</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Salem
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended June 30, 2004

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 87,000	\$ 87,000	\$ 87,383	\$ 383
Licenses and permits	75,000	75,000	104,003	29,003
State grants	306,000	306,000	345,303	39,303
Charges for services	33,829	33,829	22,586	(11,243)
Interest and rentals	-	-	15,698	15,698
Other	<u>97,562</u>	<u>97,562</u>	<u>28,732</u>	<u>(68,830)</u>
<i>Total revenues</i>	<u>599,391</u>	<u>599,391</u>	<u>603,705</u>	<u>4,314</u>
EXPENDITURES				
Legislative	<u>6,296</u>	<u>6,296</u>	<u>5,267</u>	<u>1,029</u>
General government:				
Supervisor	16,535	16,535	15,999	536
Election	1,000	1,000	76	924
Assessor	11,000	11,000	10,472	528
Clerk	13,367	13,367	12,480	887
Board of review	1,000	1,000	622	378
Treasurer	13,367	13,367	12,929	438
Hall and grounds	45,000	45,000	49,796	(4,796)
Cemetery	18,000	18,000	10,639	7,361
Other	<u>60,000</u>	<u>60,000</u>	<u>58,889</u>	<u>1,111</u>
<i>Total general government</i>	<u>179,269</u>	<u>179,269</u>	<u>171,902</u>	<u>7,367</u>
Public safety:				
Police	55,000	55,000	53,874	1,126
Fire	60,000	60,000	51,389	8,611
Building inspections	<u>60,000</u>	<u>60,000</u>	<u>78,341</u>	<u>(18,341)</u>
<i>Total public safety</i>	<u>175,000</u>	<u>175,000</u>	<u>183,604</u>	<u>(8,604)</u>
Public works:				
Highways and streets	47,500	47,500	15,889	31,611
Street lights	2,500	2,500	1,377	1,123
Transfer station	27,000	27,000	22,206	4,794
Drains	<u>6,000</u>	<u>6,000</u>	<u>4,886</u>	<u>1,114</u>
<i>Total public works</i>	<u>83,000</u>	<u>83,000</u>	<u>44,358</u>	<u>38,642</u>

Township of Salem
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)
Year ended June 30, 2004

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Health and welfare - ambulance	\$ 5,000	\$ 5,000	\$ 6,000	\$ (1,000)
Community and economic development - community planning and development	37,000	37,000	27,054	9,946
Recreation and culture:				
Library	51,000	51,000	51,537	(537)
Parks and recreation	115,412	115,412	107,708	7,704
<i>Total recreation and culture</i>	<u>166,412</u>	<u>166,412</u>	<u>159,245</u>	<u>7,167</u>
Capital outlay	-	-	19,334	(19,334)
Debt service:				
Principal	-	-	26,809	(26,809)
Interest	-	-	1,294	(1,294)
<i>Total expenditures</i>	<u>651,977</u>	<u>651,977</u>	<u>644,867</u>	<u>7,110</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(52,586)	(52,586)	(41,162)	11,424
FUND BALANCES - BEGINNING OF YEAR	<u>367,311</u>	<u>367,311</u>	<u>367,311</u>	-
FUND BALANCES - END OF YEAR	<u>\$ 314,725</u>	<u>\$ 314,725</u>	<u>\$ 326,149</u>	<u>\$ 11,424</u>

Township of Salem
BUDGETARY COMPARISON SCHEDULE - Road Fund
Year ended June 30, 2004

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 444,900	\$ 444,900	\$ 439,690	\$ (5,210)
Interest	<u>4,500</u>	<u>4,500</u>	<u>3,893</u>	<u>(607)</u>
<i>Total revenues</i>	<u>449,400</u>	<u>449,400</u>	<u>443,583</u>	<u>(5,817)</u>
EXPENDITURES				
Public works	320,167	320,167	414,204	(94,037)
Debt service:				
Principal	64,834	64,834	64,834	-
Interest	<u>8,627</u>	<u>8,627</u>	<u>8,627</u>	<u>-</u>
<i>Total expenditures</i>	<u>393,628</u>	<u>393,628</u>	<u>487,665</u>	<u>(94,037)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	55,772	55,772	(44,082)	(99,854)
FUND BALANCES - BEGINNING OF YEAR	<u>379,944</u>	<u>379,944</u>	<u>379,944</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 435,716</u>	<u>\$ 435,716</u>	<u>\$ 335,862</u>	<u>\$ (99,854)</u>

Township of Salem
BUDGETARY COMPARISON SCHEDULE - Fire Fund
Year ended June 30, 2004

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 62,000	\$ 62,000	\$ 62,787	\$ 787
Interest	1,000	1,000	579	(421)
<i>Total revenues</i>	<u>63,000</u>	<u>63,000</u>	<u>63,366</u>	<u>366</u>
EXPENDITURES				
Public safety	2,000	2,000	1,258	742
Capital outlay	6,000	6,000	2,557	3,443
Debt service:				
Principal	54,961	54,961	58,115	(3,154)
Interest	-	-	1,421	(1,421)
<i>Total expenditures</i>	<u>62,961</u>	<u>62,961</u>	<u>63,351</u>	<u>(390)</u>
EXCESS OF REVENUES OVER EXPENDITURES	39	39	15	(24)
FUND BALANCES - BEGINNING OF YEAR	<u>128,903</u>	<u>128,903</u>	<u>128,903</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 128,942</u>	<u>\$ 128,942</u>	<u>\$ 128,918</u>	<u>\$ (24)</u>

SUPPLEMENTARY INFORMATION

Township of Salem

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - all agency funds

Year ended June 30, 2004

	<i>Balance July 1, 2003</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance June 30, 2004</i>
TAX COLLECTION FUND				
ASSETS				
Cash	<u>\$ -</u>	<u>\$ 2,559,201</u>	<u>\$ 2,559,201</u>	<u>\$ -</u>
LIABILITIES				
Due to other governmental units	<u>\$ -</u>	<u>\$ 2,559,201</u>	<u>\$ 2,559,201</u>	<u>\$ -</u>